

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Colfax Township	County Mecosta
Fiscal Year End 3/31/06	Opinion Date 8/29/06	Date Audit Report Submitted to State September 18, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Steven C. Arends	Zip 49601
		License Number 1101013211	

COLFAX TOWNSHIP, MECOSTA COUNTY

RODNEY, MICHIGAN

MARCH 31, 2006

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

MARCH 31, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 29, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Colfax Township
Mecosta County
Rodney, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colfax Township, Mecosta County, Rodney, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colfax Township, Mecosta County, Rodney, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colfax Township, Mecosta County, Rodney, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Colfax Township, a general law township located in Mecosta County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Colfax Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,059,874. Of this amount, \$710,474 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental fund reported ending fund balance of \$710,474. All of the fund balance is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$1,059,874 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Colfax Township
Net Assets as of March 31,

	Governmental Activities	
	2006	2005
Assets		
Current Assets	\$ 711,922	\$ 617,843
Non Current Assets		
Capital Assets	\$ 556,221	\$ 523,456
Less: Accumulated Depreciation	(206,821)	(187,376)
Total Non Current Assets	\$ 349,400	\$ 336,080
Total Assets	\$ 1,061,322	\$ 953,923
Liabilities		
Other Liabilities	\$ 1,448	\$ 0
Net Assets		
Invested in Capital Assets	\$ 349,400	\$ 336,080
Unrestricted	710,474	617,843
Total Net Assets	\$ 1,059,874	\$ 953,923
Total Liabilities and Net Assets	\$ 1,061,322	\$ 953,923

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2006.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Colfax Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	Governmental Activities	
	2006	2005
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 25,311	\$ 39,506
Operating Grants and Contributions	3,732	0
Capital Grants and Contributions	4,500	0
General Revenues		
Taxes	75,533	66,056
State Shared Revenue	156,450	133,916
Unrestricted Investment Earnings	18,723	5,766
Other	3,038	3,525
Total Revenues	\$ 287,287	\$ 248,769
<u>Expenses</u>		
Legislative	\$ 33,801	\$ 21,577
General Government	85,299	89,177
Public Safety	37,290	26,867
Public Works	1,320	1,315
Community and Economic Development	324	416
Other Functions	3,857	3,809
Unallocated Depreciation	19,445	19,200
Total Expenses	\$ 181,336	\$ 162,361
Change in Net Assets	\$ 105,951	\$ 86,408
NET ASSETS - Beginning of Year	953,923	867,515
NET ASSETS - End of Year	<u><u>\$ 1,059,874</u></u>	<u><u>953,923</u></u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$105,951 or 11% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

The revenue from property taxes amounted to \$63,805. The Township levied 1.25 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended upward.

The Township's governmental activities expenses are dominated by general governmental expenses that total 47% of total expenses. The Township spent \$85,299 in fiscal year 2006 on General Administrative expenses. Public Safety represented the next largest expense at \$37,290, or 21% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$64,860.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Colfax Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Colfax Township's governmental fund reported ending fund balance of \$710,474. Of this amount, \$708,063 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance reserved for telecommunication right-of-way must be used for expenditures that relate to telecommunications right-of-way.

General Fund – The General Fund increased its fund balance by \$92,631 which brings the fund balance to \$710,474. Of the General Fund's fund balance, \$708,063 is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$63,805. State shared revenues were collected in the amount of \$133,991.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2006 amounted to \$349,400 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 4%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. In addition, the Township occasionally capitalizes items under the \$5,000 threshold. A summary of capital asset categories is illustrated below:

COLFAX TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Colfax Township
Capital Assets as of March 31,

	Governmental Activities	
	2006	2005
Land	\$ 41,642	\$ 41,642
Land Improvements	64,901	64,901
Construction in Progress	17,340	0
Buildings	194,666	194,666
Equipment, Furniture and Fixtures	237,672	222,247
	\$ 556,221	\$ 523,456
Less Accumulated Depreciation	(206,821)	(187,376)
Net Capital Assets	\$ 349,400	\$ 336,080

Major capital asset events during the current fiscal year consisted of:

- Remodeling the Township hall at a cost of \$17,340.
- Purchasing turn out gear for the fire department at a cost of \$10,925.
- Receiving a voting machine from the state at a cost of \$4,500.

Long-Term Debt. Colfax Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

State-shared revenues are expected to remain the same in the 2006-07 fiscal year. The Township's millage rate will be reduced by the Headlee Amendment rollback from the 1.25 mills for general operating purposes levied in 2005-2006.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Colfax Township at P.O. Box 22, Rodney, Michigan 49342.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 683,882
Taxes Receivable	5,581
Due from Other Governments	<u>22,459</u>
Total Current Assets	<u>\$ 711,922</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 41,642
Land Improvements	64,901
Construction in Progress	17,340
Buildings	194,666
Equipment, Furniture and Fixtures	<u>237,672</u>
	\$ 556,221
Less Accumulated Depreciation	<u>206,821</u>
Net Capital Assets	<u>\$ 349,400</u>
TOTAL ASSETS	<u>\$ 1,061,322</u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 1,448</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 349,400
Unrestricted	<u>710,474</u>
TOTAL NET ASSETS	<u>\$ 1,059,874</u>

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGE IN NET ASSETS
TOTAL GOVERNMENTAL ACTIVITIES					
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 33,801	\$ 0	\$ 0	\$ 0	\$ (33,801)
General Government	85,299	25,311	3,732	4,500	(51,756)
Public Safety	37,290	0	0	0	(37,290)
Public Works	1,320	0	0	0	(1,320)
Community and Economic Development	324	0	0	0	(324)
Other Functions	3,857	0	0	0	(3,857)
Unallocated Depreciation	19,445	0	0	0	(19,445)
Total Governmental Activities	\$ 181,336	\$ 25,311	\$ 3,732	\$ 4,500	\$ (147,793)
<u>GENERAL REVENUES</u>					
Taxes					\$ 75,533
State Shared Revenue					156,450
Unrestricted Investment Earnings					18,723
Other					3,038
Total General Revenues					\$ 253,744
Change in Net Assets					\$ 105,951
<u>NET ASSETS</u> - Beginning of Year					953,923
<u>NET ASSETS</u> - End of Year					\$ 1,059,874

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 683,882
Taxes Receivable	5,581
Due from Other Governments	<u>22,459</u>
Total Assets	<u><u>\$ 711,922</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 1,448</u>
<u>FUND BALANCE</u>	
Reserved	
Reserved for Telecommunications Right-of-Way	\$ 2,411
Unreserved	
Undesignated	<u>708,063</u>
Total Fund Balance	<u>\$ 710,474</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 711,922</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 710,474
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 41,642	
Land Improvements	64,901	
Construction in Progress	17,340	
Buildings	194,666	
Equipment, Furniture and Vehicles	237,672	
Accumulated Depreciation	(206,821)	349,400
	<hr/>	<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,059,874</u></u>
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The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY

RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND
<u>REVENUES</u>	
Taxes	\$ 75,533
Licenses and Permits	5,958
State Grants	164,682
Charges for Services	19,353
Interest and Rents	18,723
Other Revenues	3,038
Total Revenues	<u>\$ 287,287</u>
<u>EXPENDITURES</u>	
Legislative	\$ 33,801
General Government	107,139
Public Safety	48,215
Public Works	1,320
Community and Economic Development	324
Other Functions	3,857
Total Expenditures	<u>\$ 194,656</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 92,631
<u>FUND BALANCE</u> - Beginning of Year	<u>617,843</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 710,474</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 92,631
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(19,445)
Capitalized Capital Outlay	<u>32,765</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 105,951</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 500
	<hr/>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 500
	<hr/>

The accompanying notes are an integral part of the financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Colfax Township is a general law township located in Mecosta County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Colfax Township reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Colfax Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Township's investment policy states that the Township Treasurer may invest township funds in the following:

Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.

Repurchase agreements consisting of instruments listed in subdivision (a).

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- (i) The purchase of securities on a when-issued or delayed delivery basis.
- (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Colfax Township totaled \$70,999,100, on which ad valorem taxes levied consisted of 1.25 mills for Colfax Township operating purposes. The levy raised approximately \$63,805 for operating purposes.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20-25
Land Improvements	25
Equipment, Furniture and Fixtures	5-15

Colfax Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on February 16, 2005 or as amended by the Township Board from time to time.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank West, Huntington National Bank, Fifth Third Bank, and Flagstar Bank.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$287,447 of the government's bank balance of \$688,007 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amounts of Deposits	\$ 684,382
Government-wide Statement of Net Assets	
Cash	\$ 683,882
Statement of Fiduciary Net Assets	
Cash	500
Total	\$ 684,382

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 5,581
Due from Other Governments	22,459
	<u>\$ 28,040</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 41,642	\$ 0	\$ 0	\$ 41,642
Construction in Progress	0	17,340	0	17,340
Total capital assets, not being depreciated	<u>\$ 41,642</u>	<u>\$ 17,340</u>	<u>\$ 0</u>	<u>\$ 58,982</u>
Capital assets, being depreciated				
Buildings	\$ 194,666	\$ 0	\$ 0	\$ 194,666
Land improvements	64,901	0	0	64,901
Equipment, Furniture and Fixtures	222,247	15,425	0	237,672
Total capital assets, being depreciated	<u>\$ 481,814</u>	<u>\$ 15,425</u>	<u>\$ 0</u>	<u>\$ 497,239</u>
Less accumulated depreciation for:				
Buildings	\$ 123,857	\$ 1,561	\$ 0	\$ 125,418
Land improvements	6,065	3,245	0	9,310
Equipment, Furniture and Fixtures	57,454	14,639	0	72,093
Total accumulated depreciation	<u>\$ 187,376</u>	<u>\$ 19,445</u>	<u>\$ 0</u>	<u>\$ 206,821</u>
Total capital assets, being depreciated, net	<u>\$ 294,438</u>	<u>\$ (4,020)</u>	<u>\$ 0</u>	<u>\$ 290,418</u>
Governmental activities capital assets, net	<u>\$ 336,080</u>	<u>\$ 13,320</u>	<u>\$ 0</u>	<u>\$ 349,400</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Unallocated Depreciation	\$ 19,445
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Construction Commitments:

As of March 31, 2006, the Township was doing a major renovation of the township hall. As of the date of this report, the construction in progress has not been completed.

D. Interfund Receivables, Payables and Transfers

The Township had no interfund receivable and payable balances at March 31, 2006.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Reserved

General Fund

Telecommunications Right-of-Way \$ 2,411

TOTAL FUND BALANCE RESERVATIONS \$ 2,411

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with John Hancock's Life Insurance Company, which covers all members of the Township Board. Each board member becomes eligible for coverage on the first policy anniversary date which the board member reaches age 18. A board member's normal retirement age is age 65 or, if later, on the 10th anniversary of the board member's entry date.

The formula for determining contributions is based on the board member's basic annual rate of compensation in effect at the beginning of each plan year. The plan year is April 1 to March 31 of the following year. Township contributions for each eligible participant are calculated as 18% of

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

compensation. Participants are allowed to make voluntary after-tax contributions, in amounts ranging from 1% to 10% of compensation.

Township contributions to the plan for 2005-2006 amounted to \$5,323. In addition, the Township paid a \$146 service fee.

Total wages for those covered under the plan was \$34,960 and total wages for all employees including noncovered payroll was \$79,823.

C. Property Taxes

The Township levied 1.25 mills in tax on state taxable value of \$70,999,100 on the 2005 tax roll. The mill levy was for the following purposes:

General Operations	\$ <u>63,805</u>
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D. Property Tax Administration Fee

The Township passed a resolution on March 6, 2003 to charge a 1% administration fee for the summer tax rolls on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the township board.

E. Due from Other Governments

Amount due from other governments consists of \$22,459 in state-shared revenues.

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 51,125	\$ 51,125	\$ 75,533
Licenses and Permits	3,600	3,600	5,958
State Grants	131,100	131,100	164,682
Charges for Services	32,100	32,100	19,353
Interest and Rents	5,550	5,550	18,723
Other Revenues	3,600	3,600	3,038
Total Revenues	\$ 227,075	\$ 227,075	\$ 287,287
<u>EXPENDITURES</u>			
Legislative	\$ 34,550	\$ 34,550	\$ 33,801
General Government	291,481	291,481	107,139
Public Safety	52,300	52,300	48,215
Public Works	2,700	2,700	1,320
Community and Economic Development	1,570	1,570	324
Other Functions	4,100	4,100	3,857
Contingency	4,000	4,000	0
Total Expenditures	\$ 390,701	\$ 390,701	\$ 194,656
Excess (Deficiency) of Revenues	\$ (163,626)	\$ (163,626)	\$ 92,631
<u>FUND BALANCE</u> - Beginning of Year	163,626	163,626	617,843
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 710,474

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 683,882
Taxes Receivable	5,581
Due From Other Governments	<u>22,459</u>
 TOTAL ASSETS	 <u><u>\$ 711,922</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 1,448</u>
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FUND BALANCE

Reserved for Telecommunications Right-of-Way	\$ 2,411
Unreserved	<u>708,063</u>

TOTAL FUND BALANCE	<u>\$ 710,474</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 711,922</u></u>
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COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET	ACTUAL
<u>REVENUES</u>		
Taxes	\$ 51,125	\$ 75,533
Licenses and Permits	3,600	5,958
State Grants	131,100	164,682
Charges for Services	32,100	19,353
Interest and Rents	5,550	18,723
Other Revenues	3,600	3,038
Total Revenues	<u>\$ 227,075</u>	<u>\$ 287,287</u>
<u>EXPENDITURES</u>		
Legislative		
Township Board	\$ 34,550	\$ 33,801
General Government		
Supervisor	11,938	9,837
Election	6,050	5,106
Assessor	19,350	16,736
Clerk	17,578	13,094
Board of Review	1,250	995
Treasurer	23,165	20,390
Building and Grounds	170,200	26,527
Cemetery	41,950	14,454
Public Safety		
Fire Department	52,300	48,215
Public Works		
Highways, Streets, and Bridges	2,700	1,320
Community and Economic Development		
Planning and Zoning	1,570	324
Other Functions		
Employee Benefits	4,100	3,857
Contingencies	4,000	0
Total Expenditures	<u>\$ 390,701</u>	<u>\$ 194,656</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (163,626)	\$ 92,631
<u>FUND BALANCE</u> - Beginning of Year	<u>163,626</u>	<u>617,843</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 710,474</u>

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2006

	BALANCE			BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006	
<u>ASSETS</u>					
Cash in Bank	\$ 503	\$ 1,419,931	\$ 1,419,934	\$ 500	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 62,633	\$ 62,633	\$ 0	
Due to Other Governments	503	1,355,872	1,355,875	500	
Due to Other Organizations and Individuals	0	1,426	1,426	0	
TOTAL LIABILITIES	\$ 503	\$ 1,419,931	\$ 1,419,934	\$ 500	

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	285,680	
Township		75,424	
Schools			
Big Rapids Public Schools		417,955	
Chippewa Hills Public Schools		52,938	
Morley Stanwood Community Schools		87,140	
Intermediate School			
Mecosta - Osceola		<u>208,635</u>	\$ 1,127,772

TAXES COLLECTED

County	\$	262,300	
Township		69,708	
Schools			
Big Rapids Public Schools		377,475	
Chippewa Hills Public Schools		46,322	
Morley Stanwood Community Schools		75,489	
Intermediate School			
Mecosta - Osceola		<u>191,712</u>	<u>1,023,006</u>

TAXES RETURNED DELINQUENT

County	\$	23,380	
Township		5,716	
Schools			
Big Rapids Public Schools		40,480	
Chippewa Hills Public Schools		6,616	
Morley Stanwood Community Schools		11,651	
Intermediate School			
Mecosta - Osceola		<u>16,923</u>	<u>\$ 104,766</u>

COLFAX TOWNSHIP, MECOSTA COUNTY
RODNEY, MICHIGAN

STATEMENT OF 2005 SUMMER PROPERTY TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	101,693	
State Education Tax		<u>305,521</u>	\$ 407,214

TAXES COLLECTED

County	\$	97,386	
State Education Tax		<u>292,582</u>	<u>389,968</u>

TAXES RETURNED DELINQUENT

County	\$	4,307	
State Education Tax		<u>12,939</u>	<u>\$ 17,246</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 29, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Colfax Township
Mecosta County
Rodney, Michigan

During the course of our audit of the basic financial statements of Colfax Township for the year ended March 31, 2006, we noted the following:

Investments

The Township's investing of excess funds is being handled very efficiently. All cash is being maintained in interest bearing accounts. Interest earnings for the 2005-2006 fiscal year totaled approximately \$17,933.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Colfax Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

General Recordkeeping

The accounting records for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- 1) The budget documents should include actual prior year amounts and also, estimate of current year amounts.

- 2) In addition to budgeted receipts and disbursements, the budget should include estimated beginning and ending fund balances.

Property Tax Administration Fee

As reported in Note IV.E of the Notes to Financial Statements, the Township is now charging a 1% property tax administration fee on the summer tax rolls. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990

JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 29, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Colfax Township
Mecosta County
Rodney, Michigan

In planning and performing our audit of the financial statements of Colfax Township, Mecosta County, Rodney, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.